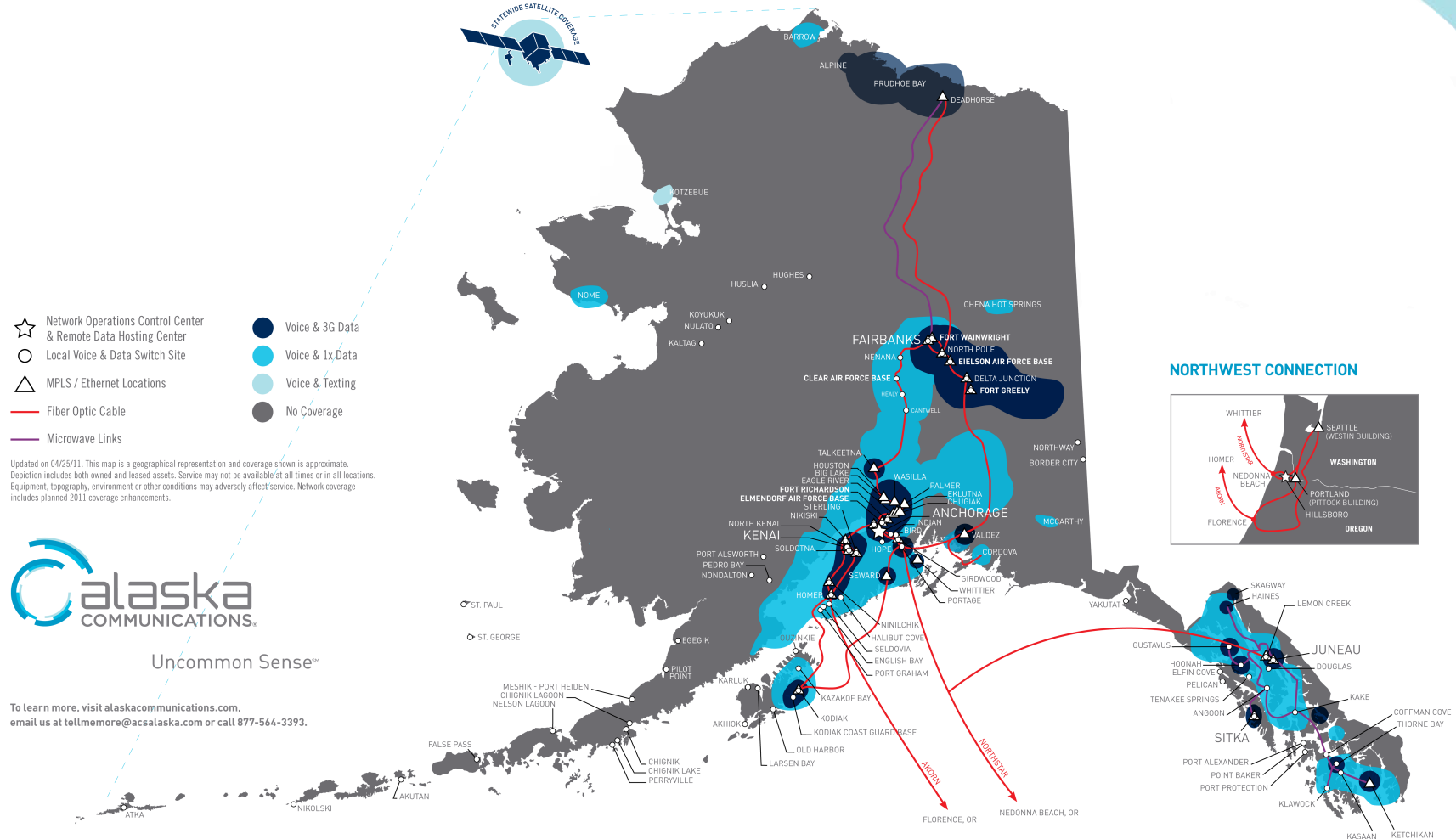


Alaska Communications Systems

September 2012

Alaska Communications Service Territory



Concerns Regarding Terra SW Network

- **No Reasonable Access to Federally-Funded Terra SW Facilities**
 - GCI constructed Terra SW using \$88 million in RUS Broadband Initiatives Program (“BIP”) Grant/Loan Award funds
 - BIP recipients must adhere to nondiscrimination and interconnection requirements set forth in program rules, including reasonable wholesale access
 - Terra SW provides the only terrestrial middle mile access to 65 communities in southwestern Alaska; the only alternative is via satellite
 - Despite the public subsidy, only small amounts of bandwidth are available to competitors at excessively high wholesale prices; by keeping prices high, GCI is able to foreclose market competition for its broadband services
- **GCI Is Seeking Inflated Recovery from Universal Service Mechanisms**
 - As a largely unregulated monopoly provider of terrestrial transport services, GCI can inflate prices for service to rural health care providers above those for satellite service and far above any reasonable cost-based prices
 - GCI thus can use support funded by its competitors’ USF contributions to expand its own monopoly transport network; in ex parte statements, GCI admits:

“Further deployment of modern wireless and broadband networks to additional currently unserved communities in rural Alaska . . . depends upon the provision of services to key anchor telemedicine and distance learning customers that are supported by the various programs of the Universal Service Fund as well as continued efforts to leverage this funding to secure other private funding sources.” (WC Docket No. 10-90, 7/30/2012)

ACS/Cordova Request for Review

- **USAC has withdrawn funding for Cordova Community Medical Center's satellite MPLS service under a 3-year evergreen contract with ACS**
 - When the contract was signed, there was no terrestrial service to Cordova, and USAC funded the difference between the satellite rate and the terrestrial urban rate
 - Terrestrial facilities became available while the contract's initial three-year term was underway, leading USAC immediately to withdraw funding
 - ACS and Cordova believe that funding for the full contracted rate should be available for the duration of the initial contract term
 - Abrupt withdrawal of funding will harm rural health care providers, service providers, and the RHC program alike
- **ACS recommends clarifications of the rule governing RHC funding for satellite services**
 - Clarify that, if terrestrial service is not available when a contract is signed, funding at the satellite rate will be available for the full initial contract term, even if terrestrial service subsequently becomes available
 - Clarify that, where terrestrial service is available, funding will be capped based on the lower of the satellite rate or a reasonable cost-based terrestrial rate

RHC Broadband Program Implementation

- **The Commission should first do no harm to the primary telecommunications program**
 - The RHC program has been a tremendous success in Alaska, bringing modern standards of care to remote locations in the Alaskan bush
 - These services, costly whether delivered by satellite or terrestrial facilities, would otherwise be unaffordable to rural community health care providers and the
 - Support in Alaska disproportionately benefits historically underserved Native Alaskans and tribal locations
- **ACS supports implementation of the RHC broadband program**
 - As broadband become more prevalent, ACS supports the Commission's efforts to expand the RHC funding mechanism's support for these services
 - Funding should generally focus on delivery of broadband services, not infrastructure
 - Where the Commission provides support for broadband infrastructure, service providers should receive the support, and construct and own the resulting facilities